

## PPP Re-Run!

### Congress Extends and Modifies Paycheck Protection Program

After significant and inexplicable delays, Congress has agreed on the Consolidated Appropriations Act, 2021 ([H.R. 133](#)) and President Trump signed the same into law yesterday. This bill provides \$900 billion in stimulus relief for the COVID-19 Pandemic in addition to the \$1.4 trillion omnibus spending bill for the 2021 fiscal year. Included in this bill is an appropriation of \$284 billion for the Paycheck Protection Program that was a part of the [CARES Act](#) passed in March of 2020. The extension of the Paycheck Protection Program presents an opportunity for our clients to maintain their businesses during the economic challenges of the COVID-19 Pandemic.

#### *What is the Paycheck Protection Program?*

The Paycheck Protection Program ([PPP](#)) is a loan program through the Small Business Administration ([SBA](#)). Under the PPP, small businesses may borrow funds at a low interest rate for certain uses. The amount of funds is based on the amount the borrower paid its employees during a particular base period. After the loan, the borrower may have some or all of its loan forgiven if it meets certain criteria. Forgiveness of a PPP loan is not imputed to the borrower as income for tax purposes.

#### *Second Round of Loans*

The extension of the PPP enables qualified businesses to apply for another round of PPP funding capped at \$2 million and which is calculated at 2.5X the average monthly payroll costs, except for entities in industries assigned to NAICS code 72 (Accommodations and Food Services) who may receive loans of up to 3.5X average monthly payroll costs. Eligibility requirements include having no more than 300 employees, having fully used the first PPP draw, and having experienced at least a 25% reduction in gross receipts in any one quarter in 2020 as compared to the same quarter in 2019. The extended PPP also includes set-asides for borrowers with 10 or fewer employees, first time borrowers who were not eligible for the first round of loans, and for returning borrowers.

Borrowers will be eligible to have the full amount of this loan forgiven if they spend 60% or more of the loan proceeds on payroll costs. Other permitted uses of loan proceeds include payment of rent, mortgage expenses, utilities, supplier costs on existing contracts and purchase orders, costs related to worker protection equipment, and technology operation expenditures.

### ***Changes to the PPP***

In addition to offering a second round of loans, Congress made several changes to the PPP. It expanded the permissible uses of loan proceeds to include all of the uses explained above. Additionally, the modified PPP provides that business expenses on all PPP loans are fully deductible even if the balance of the PPP loan was forgiven.

### ***How to receive a loan***

For clients who received a PPP loan - and therefore have a PPP lender, which is the financial institution that underwrote the original loan - we suggest going back to the same lender, because approaching a new lender may slow the application process unnecessarily. For clients who did not obtain a PPP loan the first time around, we suggest establishing a relationship with a known, approved SBA lender, including community, regional or national banks.

We anticipate that the second draw process will involve the issuance of new rules, forms, and guidance under the new Act by the SBA within 10 days from enactment – which means at the earliest, we would expect guidance from the SBA in January, 2021.

All of the foregoing presents an opportunity for our clients to obtain additional relief during the COVID-19 pandemic. We are happy to advise our clients in obtaining these loans and in tax planning as 2020 nears its close.

**For additional information, please contact any of the following with any questions or more specific situations:**

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